



Passenger Facility Charge Report
December 31, 2012

City of Pierre

Independent Auditor's Report on Compliance for the Passenger Facility Charge Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Passenger Facility Charges	1
Schedule of Expenditures of Passenger Facility Charges	4
Schedule of Prior Audit Findings	5
Schedule of Current Audit Findings	6



Independent Auditor's Report on Compliance for the Passenger Facility Charge Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Passenger Facility Charges

The City Commission
City of Pierre
Pierre, South Dakota

Report on Compliance for the Passenger Facility Charge Program

We have audited Pierre Regional Airport Fund's compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the year ended December 31, 2012.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to this program.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for Pierre Regional Airport Fund's passenger facility charge program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about Pierre Regional Airport Fund's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the passenger facility charge program. However, our audit does not provide a legal determination of Pierre Regional Airport Fund's compliance.

Opinion on the Passenger Facility Charge Program

In our opinion, the Pierre Regional Airport Fund complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended December 31, 2012.

Report on Internal Control over Compliance

Management of the Pierre Regional Airport Fund is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Pierre Regional Airport Fund's internal control over compliance with the types of requirements that could have a direct and material effect on the passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Pierre Regional Airport Fund's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the passenger facility charge program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. We consider the deficiency in internal control over compliance described in the accompanying schedule of current year findings as item 2012-1 to be a material weakness.

City of Pierre's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of current audit findings. City of Pierre's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Passenger Facility Charges

We have audited the financial statements of the City of Pierre as of and for the year ended December 31, 2012, and have issued our report thereon dated September 27, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of passenger facility charges is presented for purposes of additional analysis as required by the Guide and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements of the City of Pierre.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota
September 27, 2013

City of Pierre
Schedule of Expenditures of Passenger Facility Charges
Year Ended December 31, 2012

			Quarter Ended				Year Ended
			March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012	December 31, 2012
Passenger Facility Charge Revenue Collected			<u>\$ 9,093</u>	<u>\$ 12,728</u>	<u>\$ 16,323</u>	<u>\$ 11,950</u>	<u>\$ 50,094</u>
	Date Approved	Application Amount Approved	Receivable December 31, 2011	Amount Collected	Interest Earned	Expenditures	Receivable December 31, 2012
Application 09-02-C-00-PIR	July 9, 2009	\$ 422,107	<u>\$ 271,273</u>	<u>\$ (50,094)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 221,179</u>

Part I – Prior Findings Relating the Passenger Facility Charge Program

There were no prior audit findings related to the Passenger Facility Charge Program.

Part I – Current Findings Relating the Passenger Facility Charge Program

Material Weakness

Finding 2012-1 Passenger Facility Charge Program Reporting

Condition: Internal controls over PFC Program reporting do not include an independent review of the reports prior to the submission to FAA, nor is there a comparison of the amount of PFC receipts logged at the airport with the revenue recorded in the general ledger of the City. In the current year, this led to two receipts being reported to the FAA twice and three receipts not getting reported that should have been reported.

Criteria: A good system of internal controls over compliance should be designed to include a review by someone independent of the report preparation and a comparison of PFC receipts reported to the FAA to the PFC revenue recorded in the airport fund financial statements of the City of Pierre.

Cause: Current policies and procedures over this program have not considered this step as part of the design of internal controls.

Effect: Lack of key controls could lead to incorrect amounts being reported to the FAA in the required PFC Program reports.

Recommendation: We recommend that the City of Pierre implement controls to ensure that the general ledger detail of PFC revenues is compared to airport records of PFC receipts and any necessary adjustments get made so that both sources agree on total quarterly PFC revenues and that reports are independently reviewed before the required reports are submitted to the FAA.

Management's Response: Management will implement a secondary review of all federal financial information reported, prior to submittal.